

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1719-01  
Bill No.: HB 630  
Subject: Economic Development; Tax Credits  
Type: Original  
Date: February 26, 2013

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Bill Summary: This proposal provides tax incentives for qualified manufacturing facilities or qualified suppliers that create or retain jobs in Missouri.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(\$60,868 to more than \$45,060,868)	(\$66,246 to more than \$45,066,246)	(\$66,965 to more than \$45,066,965)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$60,868 to more than \$45,060,868)</b>	<b>(\$66,246 to more than \$45,066,246)</b>	<b>(\$66,965 to more than \$45,066,965)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration - Budget and Planning (BAP)** assume this proposal modifies the Manufacturing Jobs Act by extending the sunset from 8/28/13 to 8/28/19 and increasing the amount of benefits available for qualified manufacturers from \$15 million annually to \$60 million annually. This proposal could therefore lower General and Total State Revenues by that amount. This program may encourage other economic activity, but BAP does not have data to estimate induced revenues.

Officials at the **Department of Economic Development (DED)** assume this proposal expands the Manufacturing Jobs Act by removing NAICS 33611, for automotive manufacturers, and opens the program up to all manufacturers. The aggregate cap is increased from \$15 million to \$60 million; however, the \$10 million annual cap per manufacturer per year remains in place. The sunset of the program is revised from October 12, 2016, to be six years after August 28, 2013, unless reauthorized by the General Assembly and then the program automatically sunsets 12 years after the effective date of the reauthorization of the program.

DED assumes the proposed revisions will increase the utilization of the Manufacturing Jobs Act because of the increased aggregate cap. DED assumes the projects will have a negative effect over \$100,000 because of the increased cap. The negative effect may be offset by an unknown positive impact from the increased economic activity generated from this proposal.

DED anticipates the need for one additional FTE as a result of the proposal. This FTE would be an Economic Development Incentive Specialist III (\$41,016) and would be responsible for reviewing applications to determine eligibility for the program and ensuring compliance with the program.

According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Manufacturing Jobs tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Projects (#)	N/A	1	1
Amount Authorized	N/A	\$91,828,532	\$36,806,462
Amount Issued	N/A	\$0	\$0
Amount Redeemed	N/A	\$0	\$0

**Oversight** assumes this tax credit was to sunset on October 12, 2016, and had an annual cap of \$15 million. This proposal extends the tax credit and increases the annual cap to \$60 million;

JH:LR:OD

ASSUMPTION (continued)

therefore, **Oversight** will show the increased loss to state revenue for the credits issued in FY 2014, 2015 and FY 2016. This credit is too new to have redemption data available. **Oversight** will reflect a loss of revenue to the State up to the new annual cap.

The definition of “qualified supplier” uses the definition of qualified manufacturer. Therefore, since the proposal greatly expands who would qualify as a qualified manufacturer, **Oversight** assumes a large number of companies could now qualify as qualified suppliers. The benefits to qualified suppliers under this program are not capped; therefore, Oversight assumes this proposal would result in a large, unknown amount of credits to qualified suppliers.

**Oversight** assumes the changes to existing programs in this proposal would have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect them in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE</b>			
<u>Cost - Department of Economic Development</u>			
Personal Service	(\$34,180)	(\$41,426)	(\$41,840)
Fringe Benefit	(\$17,345)	(\$21,022)	(\$21,232)
Equipment and Expense	(\$9,343)	(\$3,798)	(\$3,893)
<u>Total Cost - DED</u>	(\$60,868)	(\$66,246)	(\$66,965)
FTE Change - DED	1 FTE	1 FTE	1 FTE
<u>Revenue Reduction</u> - increase in the annual cap for qualified manufacturers from \$15 million to \$60 million	(Up to \$45,000,000)	(Up to \$45,000,000)	(Up to \$45,000,000)
<u>Revenue Reduction</u> - expansion of the definition of qualified manufacturer would lead to expansion of qualified suppliers	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(\$60,868 to more than <u>\$45,060,868</u>)</b>	<b>(\$66,246 to more than <u>\$45,066,246</u>)</b>	<b>(\$66,965 to more than <u>\$45,066,965</u>)</b>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.


### FISCAL DESCRIPTION

This proposal provides tax incentives for qualified manufacturing facilities or qualified suppliers that create or retain jobs in Missouri.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Department of Economic Development  
Office of Administration  
Budget and Planning



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Acting Director  
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